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SENATE

REPORT
No. 97-642

CONSULTING WITH THE GOVERNMENT OF JAPAN ON EXPORTS OF AGRICULTURAL PRODUCTS FROM THE UNITED STATES TO JAPAN

SEPTEMBER 30 (legislative day, SEPTEMBER 8), 1982.—Ordered to be printed

Mr. DOLE, from the Committee on Finance,
submitted the following

REPORT

[To accompany S. Res. 462]

The Committee on Finance, to which was referred the resolution (S. Res. 462) to express the sense of the Senate concerning consultations with the Government of Japan on exports of agricultural products from the United States to Japan, having considered the same, reports favorably thereon without amendment and recommends that the resolution do pass.

I. SUMMARY

Senate Resolution 462 would express the sense of the Senate that in trade consultations scheduled for October 20, 1982, between the United States and Japan, the United States seek completely open access to the Japanese market for beef and citrus and that, failing this, the Administration would consider its international remedies.

II. GENERAL EXPLANATION

As a result of a bilateral agreement on agriculture concluded in 1978, Japan agreed to expand its import quotas for high-quality beef, oranges, and citrus juice. The quota on high-quality beef was to be expanded gradually from 16,800 metric tons in 1979 to 30,800 metric tons in 1983; orange juice from 3,000 metric tons in 1979 to 6,500 metric tons in 1983 and grapefruit juice from 1,000 metric tons in 1979 to 6,000 metric tons in 1983. The import levels for 1980 were 20,800 metric tons of high-quality beef, 35,000 metric tons of oranges, 5,000 metric tons of orange juice, and 3,000 metric tons of grapefruit juice. Further consultations on opening the Japanese market to more beef and citrus imports are scheduled in October 1982.

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When the Japanese agreed to an increase in their orange quota in the Multilateral Trade Negotiations (MTN), they also agreed to a new licensing system to administer the increase. According to the Agreement, the licensing system was designed to "provide import opportunities on a fair and equitable basis for participation of new traders."

Under the terms of the Agreement, the determination of what would be a "fair and equitable basis for participation" was left solely to the Japanese Government. The Japanese, after consulting with the United States, decided to apportion 25 percent of the increased quota to new importers through the licensing system. The Japanese also agreed to a U.S. request to apportion 75 percent of the increased portion of the quota in April and May so as to benefit new exporters.

The change in the licensing system had come about because of U.S. concern that new American orange exporters be allowed to participate. Trade in oranges between the United States and Japan historically had been dominated by a few Japanese firms which contracted with their traditional suppliers in the United States.

However, as this Committee observed in its report on the Trade Agreements Act of 1979, this bilateral agreement did not change the Japanese import quota system. The quotas that are the basis of this system are still in existence. Moreover, there is a 25 percent duty and a variable surcharge on beef imported into Japan. Failing an opening of the Japanese market for beef and citrus when the current bilateral agreement expires in 1983, the United States would be in a position to consider the extent to which Japan's agricultural import quotas are inconsistent with the General Agreement on Tariffs and Trade (GATT), of which both countries are members, and whether those quotas are vulnerable to attack by the United States under the disputes resolution provisions of the GATT.

The current beef and citrus quotas are plainly inadequate at present. A recent House Ways and Means Committee report ("Report on Trade Mission to Far East, December 21, 1981; WMCP: 97-27") noted the following:

> While this (the current quota on beef) is a major increase over the pre-1977 quotas of 6,800 metric tons, it works out to about 0.58 of a pound per Japanese per year! We note that in the "Treaty of Amity and Commerce between the United States and Japan," negotiated by our first Counsel, Townsend Harris in 1858, the meat products of that era ("salted provisions of all kinds") were charged only a tariff of 5 percent—considerably freer trade than exists in beef today!
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> In view of our trade problems, these quotas (on citrus) are much too restrictive, particularly because by increasing fruit juice blending and off-season quotas, major increases in sales could be made without harming Japanese citrus growers. The Japanese themselves have acknowledged this on a number of occasions.

Japan does not produce grapefruit and has no quota on imports of fresh grapefruit, yet it does impose a quota on imports of grapefruit juice that limits those imports to less than two ounces of grapefruit juice per Japanese per year.

The current head of the U.S. Department of Agriculture's Foreign Agriculture Service has estimated that U.S. beef exports to Japan would increase to 200,000 metric tons per year within five years after liberalization of trade.

The people of Japan themselves suffer from beef and citrus quotas. According to figures released by the Government of Japan, Japanese families spend 32 percent of their disposable income on food; Americans spend 17 percent.

Under these circumstances, and taking into account the larger issues of trade between the United States and Japan and overall U.S. trade policy, the Committee felt it is now incumbent to remove all barriers to entry for beef and citrus, and that failing this, the United States should consider its remedies under existing U.S. and international law.

III. VOTE OF THE COMMITTEE IN REPORTING THE RESOLUTION

In compliance with section 133 of the Legislative Reorganization Act of 1946, the following statement is made relative to the vote by the Committee to report the resolution:

The resolution was ordered reported by voice vote.

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